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METRO-GOLDWYN-MAYER INC.

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Good morning Chairman McCain, Senator Hollings, Members of the Committee. On behalf of MGM, and as a parent of three children ages 15, 12 and 7, I want to thank the Committee for focusing on this issue of concern to so many of us.

Perhaps the best use of my time today is not to dwell on the role of parents in this issue or to reiterate the importance of the First Amendment. Those are topics you already know and appreciate. Instead, I would like to talk about some of the causes of the marketing problems referenced in the FTC report, the measures we at MGM implemented to address those problems long before the report was distributed and the additional steps we intend to take to further address the Committee's — and our—concerns about this issue.

I would like to emphasize that we at MGM are very committed to resolving this issue. MGM enjoys the unique position of being the last major American-owned motion picture company that is not part of a media conglomerate with cable, broadcast or music interests. Therefore, our company currently concentrates almost exclusively on the movie-going audience.

With that in mind, here is what MGM and our other important production label, United Artists, are implementing to address this issue:

First, 18 months ago, our company began a sweeping management change and turnaround that gave new direction to MGM and United Artists. That management change gave us the unique opportunity to critically review from the ground up many of the difficulties that arise in the business of producing and marketing movies.

Our review process identified that, during the lengthy evolution of a film, a communications and coordination gap sometimes occurs among the production, marketing and distribution divisions within a studio, and between the studio and filmmakers. As a result, completed motion pictures sometimes do not exactly conform to the type of film the studio believed it was making when it originally greenlit the project. In addition, completed pictures often appeal to an audience different from the one they were originally supposed to reach. Finally, the marketing of a completed film can sometimes be directed toward an audience for which the picture should have been made rather than the audience for which it was actually made.

We believe that several instances cited by the FTC in which R-rated films were targeted to a young audience are an outgrowth of this industry-wide problem.

Therefore, in 1999, we implemented a completely new and carefully designed greenlighting procedure for our films. Currently, we do not greenlight any film until all of the relevant senior executives in the company from all disciplines — production, marketing, distribution, video, television, finance and legal – have together critically reviewed all aspects of production and marketing for a project. This process results in a timely and clear understanding across all divisions of our company of the film's content, what we want the target audience to be, what the rating will be and how we will market the film.

Equally important, in 1999 we began holding what we call “focus meetings” with each director and producer on all of our films before the start of production. These meetings are designed to ensure that there is complete agreement between the studio and the filmmakers regarding the content of the film, the target audience for the film, and its rating. There have been occasions when we have decided not to use a particular director as a result of these meetings.

These new initiatives have gone a long way to alleviate the coordination issues in the production and marketing process that I described a moment ago. However, even with improved procedures and the best of intentions, we may still find ourselves with films that, unfortunately, end up not as expected in either their content or audience appeal. In one instance, we were concerned that an R-rated science-fiction film produced by MGM’s prior management would appeal to a younger audience. We cut the film to a PG-13 even though the company had expended significant sums of money on the previous R-rated cut and directed our marketing efforts in an appropriate manner for the PG-13 rating.

In another instance, an R-rated film that was produced by prior management and delivered to us after the management change in 1999 contained a level of violence and other content so objectionable that we refused to release it and sold it back to the producer at a significant financial loss to MGM.

In addition to the initiatives I just described, last year we also instituted the policy of not permitting anyone under 17 to attend our test screenings unless accompanied by a parent or adult guardian.

Another key factor in the recent turnaround at MGM and United Artists is a set of business principles that we implemented in 1999 and obligated all of our employees to follow. It is inconsistent with these business principles to target R-

rated films against an underage audience. And we have already appointed a compliance committee within our company to monitor our marketing activities.

Finally, I want to emphasize that this is a very complex issue involving many groups with shared responsibilities — not just the motion picture studios but theater owners, retailers, television and cable networks — all of whom need to take a carefully disciplined and responsible approach to give our most important partners on this issue – parents, including this parent — the information and tools they need to decide what is appropriate for their children.

I appreciate the opportunity to address this very important issue with the Committee.

Thank you very much.